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before the

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Chairman Oberstar, Ranking Member Mica, members and staff of the House Transportation and Infrastructure Committee, thank you for allowing me to participate in this important hearing. My name is John Clark and I am Executive Director and CEO of the Jacksonville Aviation Authority. I also serve as 2009 Chairman of Airports Council International-North America (ACI-NA). Our 366 member airports enplane more than 95 percent of the domestic and virtually all of the international airline passenger and cargo traffic in North America. Nearly 400 aviation-related businesses are also members of ACI-NA, providing goods and services to airports.

In my 26 number of years of working in the field of aviation at several different airports, I can tell you that with the exception of 9-11, this is one of the most critical times the industry has experienced. Airports are tied to the fate of the airlines and air traffic on one hand, but have a responsibility to maintain facilities to meet passenger needs on the other, so our leeway in delaying projects due to financial concerns is limited. While airports must be fiscally responsible businesses that respond to the ebb and flow of market demand, they also have a responsibility to the traveling public to keep facilities safe, secure and efficient.

Airports throughout the United States are facing reduced passengers, fewer flights, less competition for service and unsecure financial markets, yet we are committed to maintaining our facilities and preparing for the expected 25% growth in service that our industry will face over the next eight years. Airport financing is extremely complicated. Any one individual project at an airport can rely on funds from several different sources including bonds, Passenger Facility Charge (PFC) user fees, Airport Improvement Program (AIP) funds and locally generated revenues from aeronautical users, parking and concessions.

Airports receive the largest percentage of financing from the issuance of bonds, many of which are backed in part by PFCs. However, with the meltdown of the municipal credit market and the fact that many airport bonds are unfairly classified as private activity bonds which are subject to the Alternative Minimum Tax (AMT), airports can no longer rely on access to the credit markets in order to fund projects. That is why AIP funds are so important. Airports have over $5 billion dollars in AIP approved projects that are ready to go over the next two years. Guaranteed funding from the federal government through the AIP program will ensure shovels in the ground at airports both large and small across the country in as little as 30 to 45 days after the enactment of economic stimulus legislation.

The Airport Improvement Program

The current incarnation of the Airport Improvement Program was established by the Airport and Airway Improvement Act of 1982 (Public Law 97-248). Since then, AIP has disbursed over $45 billion in grants to airports to enhance the safety, security, capacity and environmental compliance of the nation's airports.

To be eligible for an AIP grant, airports must meet the following criteria: they must be publicly owned, privately owned, but designated by the FAA as a reliever or privately owed but with scheduled commercial service and at least 2,500 annual enplanements; and further, an airport must be included in the National Plan of Integrated Airport Systems (NPIAS). The NPIAS is published every two years by the Federal Aviation Administration (FAA) and identifies those airports which are important to public transportation and contribute to the needs of civil aviation, national defense and the postal service.

Projects which are eligible for AIP grants include those related to enhancing airport safety, capacity, security, and environmental concerns. In general, airports can use AIP funds on most airfield capital improvements or repairs except those for terminals, hangars, and non-aviation development. Any professional services that are necessary for eligible projects — such as planning, surveying, and design — are eligible as is runway, taxiway, and apron pavement maintenance. Aviation demand at the airport must justify the projects, which must also meet Federal environmental and procurement requirements.

Projects related to airport operations and revenue-generating improvements are typically not eligible for funding. Operational costs — such as salaries, maintenance services, equipment, and supplies — are also not eligible for AIP grants. Hence AIP approved projects are largely construction projects that help produce good-paying construction jobs.

The NPIAS also estimates the funding needed to bring the approximately 3,400 airports included in our nation's aviation system up to the appropriate safety and capacity standards to meet the current and projected needs of all segments of civil aviation. The latest edition of the NPIAS estimates that over the five-year period of 2009-2013, there will be $49.7 billion in airport development projects eligible for AIP grants. The vast majority of this need, accounting for 64%, exists at non-large hub airports. AIP grants are particularly important to these airports as they often do not have the financial wherewithal to access private capital markets (In 2007, 77% of airport bond proceeds were issued by the 30 large hub airports).

Airports which participated in ACI-NA's 2007 Capital Needs Survey identified over $17 billion in fully or partially AIP-eligible projects with over $5.7 billion of that currently scheduled for the 2009-2010 timeframe. The improvement of airport infrastructure is vital to the overall transportation system of the United States since airports are part of the larger transportation network with connectivity to roads, transit, and maritime shipping. The proposed $3 billion in airport infrastructure stimulus funding has the potential to create more than 126,000 highly paid jobs throughout the United States.

The AIP Program: A Model for Federal Accountability

The key to assuring a successful stimulus package is to get funds flowing as quickly as possible. The best way to accomplish this in the airport arena is through the AIP program. The FAA Airports Office annually process over 2,000 grants to over 1,500 airports and has the requisite experience and administrative infrastructure to distribute funds quickly to airports with quality ready-to-go projects.

Airports operate on a continuous planning cycle and typically have capital programs planned five to ten years in advance. Many of the projects included in these capital programs have already completed the necessary planning, design, environmental and other reviews. They have been screened by the local and regional divisions of the FAA Airports Office and are simply waiting for funding to begin construction.

ACI-NA understands some have a concern that releasing such a large sum of money so quickly will inevitably lead to waste. However, as previously stated, the continuous planning cycle on which airports and the FAA Airports Office operate means that there are already many thoroughly vetted projects which are ready-to-go and can be put out to bid quickly. The FAA uses a comprehensive oversight process which includes review at the local level and cost-benefit analyses and has a well-established system that ranks and prioritizes AIP projects to ensure the most effective use of federal funds. In October 2007, a report by the Department of Transportation Inspector General found that FAA is effectively ensuring the highest priority projects are funded and that the FAA is meeting its strategic goal of funding projects that enhance airport safety, security and system capacity. Additionally, any airport which accepts an AIP grant is required to ensure the participation of Disadvantaged Business Enterprises (DBEs) in project contracting.

Typically, AIP grants have a local match requirement. The amount varies based on the type of project and the size of the airport recipient. The local match requirement ensures that sponsors submit quality projects and remain committed to the project through completion. However, ACI-NA believes that the local match requirement should be removed for grants made under the stimulus bill. When applying for an AIP grant, airports must demonstrate that they have the resources available to meet the local match requirement. However, as traffic has dropped, so have local revenues and many airports may no longer have the funds available to meet the requirement. Additionally, many of the projects that will be funded under the stimulus are projects which had been scheduled to begin in future years, so funds anticipated to be available in those years may not be available now. In order to ensure the greatest simulative impact of these funds, this potential roadblock should be removed. Furthermore, the waiving of the local match requirement will allow more AIP projects to move forward quickly getting shovels into the ground in 90 days without delay.

Examples of Shovel Ready Projects

Since AIP projects are shovel ready, airports are in a unique position to begin construction as soon as possible. The FAA has already determined that there are over $5 billion dollars in AIP eligible projects that could start within the next two years. I want to take a moment to highlight a few of those important projects from around the country.

Within 45 days of receiving AIP federal funding Oakland International Airport could begin a $30 million apron and taxiway improvement project. Oakland expects that this particular project will create 900 jobs. These resurfacing enhancements will help improve the conditions at the airport through the rehabilitation of these vital aircraft apron and taxiways. Furthermore, these pavements are essential to aircraft operations and parking for both passenger and cargo activity. The improvements that would be achieved through this project will help enhance safety and will help increase efficiency at the airport helping to improve operations.

The funding in the stimulus for AIP will benefit airports both large and small. In Detroit, the Willow Run General Aviation Airport is ready to start building a new facility that will house aircraft rescue, firefighting, and snow removal equipment within approximately 90 days of receiving federal funds. This project is expected to create up to 100 material delivery and construction jobs. A few years ago, the Willow Run snow removal maintenance facility was lost in a fire. Since that time, airport staff has had to constantly move the equipment around and has often time resorted to using tarps to cover their snow removal machinery. This new facility will not only provide the shelter needed to reduce the wear and tear on the snow removal equipment but it will also bring a standardized and up-to-date facility for essential safety personnel at this important reliever airport for the Detroit Metropolitan Area.

In my home state of Florida, Sarasota Bradenton International Airport is ready to start a runway rehabilitation and overlay project that will cost approximately $5 million within the next 60 to 90 days. This project is estimated to create a total of 100 new construction jobs. Runway rehabilitation projects like this one at Sarasota illustrate the need for airports to maintain current ground-side facilities to ensure the safety of the traveling public. Since airports have an obligation to maintain facilities regardless of the number of operations into and out of a particular airport on any given day, rehabilitation projects like this one at Sarasota are in need of AIP funding.

In Jacksonville we have two projects that will cost approximately $6 million and are ready to go within 90 days. The first is a runway overlay and the second is security perimeter fencing, both at Cecil Field, our general aviation reliever airport.

Airport Bonds: Facing a Crisis in the Financial Markets

On an annual basis AIP funding accounts for roughly $3.5 billion, however, airports rely on bonds for the largest influx of capital to fund infrastructure When my colleague from the Port Authority of New York and New Jersey, Director of Aviation, Bill DeCota testified before this

Committee in October, he explained the dire condition of the financial markets for airports. I would like to take this opportunity to update you on the condition of the financial markets.

Approximately two-thirds of airport bonds are considered private activity bonds (PABs), therefore making interest on these bonds potentially subject to the AMT for bond holders. This AMT penalty has caused airport bonds to be unattractive on the markets and therefore airports, even those with high credit ratings, cannot find buyers for their bonds. Unfortunately, the situation has not changed since Mr. DeCota's testimony in October. In fact, airports have been forced to turn to costly short-term alternatives for the funding of both and ongoing and new essential construction projects, which significantly increases the overall cost of the project.

Airports throughout the United States are pleased that many in Congress have recognized that relief from the AMT penalty for private activity bonds is necessary for creating jobs and generating economic activity at airports and other sectors of the U.S. economy. We would like to thank you Mr. Chairman, Ranking Member Mica, and others of this Committee and in Congress for their support on this particular issue. As you may know, Chairman Rangel and the Ways and Means Committee have included relief from the AMT for new private activity bonds issued in 2009 and 2010 in the American Recovery and Reinvestment bill introduced in the House last week.

The enactment of legislation to provide relief from the AMT penalty for PABs would provide great assistance to airports in financing infrastructure and creating jobs. However, it is critical that this relief be permanent to facilitate the financing of long-term airport projects. Terminal projects usually take 3 to 5 years to construct and the planning, design and construction of runways can take on average 8 to15 years to complete. These projects cost hundreds of millions of dollars and are financed through multiple bond issues over the construction period. Therefore, any airport attempting to finance a large scale capital project with bonds that have only a short term exemption from the AMT will find its capital funding program at substantial risk, as it is unlikely investors will buy PABs which would mature after the expiration of a temporary AMT exemption. This risk will not only stall construction of projects that could have the largest simulative impact across the nation for job creation and economic activity in the short-term, it will also affect long-term airport construction and the continuation of thousands of jobs.

It is also critical to ensure that any AMT legislation allow airports to refinance existing debt that was issued using other short-term funding mechanisms due to the problems with PAB financing which is subject to AMT. Several airports, including Las Vegas and the Metropolitan Washington Airports Authority (MWAA), needed access to financing for important capital projects during the past few months, but were forced to use commercial paper as a short-term fix to allow their projects to move forward. While this temporary financing allowed new projects to begin, the ability of these and other airports to move forward with the next phases of their projects in the next six months is in jeopardy if airports are not able to refinance this temporary debt into long-term debt.

During these challenging times, airports understand they are the public face of aviation in their communities and are working hard to retain air service for their constituents and contribute to the community's economic growth. Providing airports at least $3 billion in AIP funding and enacting permanent AMT relief that allows for current refunding of existing debt will greatly assist in these efforts.

Mr. Chairman and Ranking Member Mica, I would like to thank you again for allowing me to testify on behalf of the airport industry. We welcome the opportunity to continue working with you to help stimulate the economy and create jobs through construction of airport infrastructure. On a final note, let me thank you again for your commitment to quickly pass a multi-year FAA Reauthorization bill, including an increase in the PFC user fee ceiling to at least $7. As you know, construction cost inflation continues to increase, significantly eroding the value of the existing PFC. There are many projects that are not eligible for AIP financing, such as refurbishing terminal at large and medium airports, which cannot go forward without such an increase. I think we can all agree this increase will also have a positive long-term impact on the economy. Thank you and I am happy to answer any questions.